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# The creative and cultural economy and the recession

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## The creative and cultural economy and the recession

Andy C Pratt

Editorial for GeoForum, 2009

### 1. After FIRE, ICE?

The question on everyone's mind at this moment is what impact will the recession have on us? Of course, there's no simple answer; and the answer differs in relation to who and where you are. There are also questions about what happens next, is this a temporary interruption which will be followed by business as usual?; or, is it the beginning of a step change? One of the bell weathers of the economic crisis has been the financial services industry: as cause and consequence. There is wide acceptance that financial services will be different, easy growth based upon easy lending will change. How is all of this relevant to geography? One immediate impact is the loss of employment in the financial services sector; of course subsequently across the whole economy, however, the immediate concentrated impact of financial jobs losses is critical<sup>1</sup>. They are critical because it is these jobs that have fuelled much urban expansion, and in particular the growth of 'world cities'. To take the case of London, the entire loss of manufacturing jobs in the 1980's was replaced by growth in financial services. The absolute job loss, and perhaps more significantly, the lack of future jobs and growth may well turn out to be a major issue.

For policy makers, and citizens alike, one question might be: what will take the place of financial services, or at least fill some of the growth that will be needed? For the last decade there has been much discussion, and not a little hype, about the role of the cultural and creative industries (CCI). As poster children of the 'new economy' or the 'knowledge economy' they both 'look good', as well as delivering growth<sup>2</sup>. It's not all style though, a recent EU report highlights the fact that the CCI grew 12% more than the general economy in 1999-2003; its value added grew by 19%; and, in 2002-4 employment grew by 1.8%; the creative industries employed more persons in EU than the combined total of the car industry, the chemical industry and the gas and electricity industries (KEA\_European\_Affairs, 2006). Moreover, in London, indisputably one of the most dynamic global cities, the creative industries were the third largest industry

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<sup>1</sup> Of course these data are very unreliable and often estimates of worst case scenarios. However, <http://www.telegraph.co.uk/finance/financetopics/financialcrisis/3542572/Financial-crisis-UK-job-losses.html> the estimate here is c. 125,000 in the UK economy October 2008-April 2009; or as of May 2008, 40,000 over the next three years, in UK financial services alone <http://business.timesonline.co.uk/tol/business/economics/article3904530.ece>

<sup>2</sup> Offering a welcome change from the 'greed is good' image of bankers pocketing another huge bonus as their company files for bankruptcy.

(GLA\_Economics, 2004). So, whilst they may be generally regarded as ‘not proper industries’ they certainly look like one. So, perhaps the cultural and creative industries can contribute to future growth? We might characterise this in a new catchphrase: from FIRE (Finance, Insurance, Real Estate) to ICE (Information and cultural economy)<sup>3</sup>. For many, this is considered to be a farcical question. The rest of this paper will set out the competing cases; as I believe not only can we answer this in the affirmative, but we can also begin to understand the profound nature of changes taking place in economic life: recession or not. There are three different perspectives; we’ll consider them in turn.

## 2.Cultural economy as consumption?

The starting position is what may be regarded as the ‘common sense’. The burden of argument here turns on the ‘fact’ that the CCI are based upon consumption, and hence will always be subject to fluctuation in consumer spending (unlike housing, or banking, or manufacture...). Moreover, in a throwback to Maslow’s hierarchy (Maslow, 1943), the idea is that we’ll buy food before the next CD or DVD. Thus we have an argument how the CCI can never be a proper industry, and that it will always be dependent on the ‘real economy’; so, it is not an argument for economic growth or sustainability. The expectation is thus that the cultural economy’s star will fall and burn in the next few months. There is another possibility, perhaps the CCI has developed a new relationship with the economy, and that it is no longer dependent, but generative (we’ll consider this case below): if this is the case the CCI may continue to perform as well (or as badly) as the rest of the economy.

A second dimension of this old logic is that the CCI are divided into two: those wholly commercial, and those publicly supported. The latter will of course be subject to the vagaries of public spending; and, given the massive diversion of the public purse into propping up the banks, this means that the rest of the public sector will suffer; and, education, health and the military will be way ahead of culture with their begging bowls. Thus, we should expect pain all round, cuts in funding, and less ability to pay: culture will go into a vicious circle of decline.

Of course, this scenario is not as clear-cut, the public and the private sectors are integrated via the CCI through sponsorship and donations, as well as effective cross-subsidies. It may be that such a relationship plunges the sector into even more dire straights, or that it might be perceived that such investment may be good for the future; the topic of the second theme.

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<sup>3</sup> An idea adapted from Andrew Ross’s chapter ‘ICE from the Ashes of FIRE: NYU and the Economy of Culture in New York City’ in Krause, M., M. Nolan, M. Palm and A. Ross (2008) *The University Against Itself: The NYU Strike and the Future of the Academic Workplac*. Temple University Press, Philadelphia.

### 3.Creative destruction

The second position derives from a reading of Schumpeter, in particular the role of creative destruction (with a play on the 'creative' – Schumpeter meant it as replacing one with another; we might also read that destruction as fertile ground for creativity). In the classical reading of Schumpeter downturns in the economic cycle are good for clearing out the dead wood or ideas at the end of their product life, or sclerotic institutions, investment in new ideas, risk is in favour; as is creativity. Depression, so the argument goes, is good for culture. This has been coupled by many to a Keynesianism of investing in public works, or sunk investments in infrastructure (hard and soft; so, training and education are included); others point to the New Deal and Roosevelt's investment in writers and artists as well as dams, roads and bridges.

In the case of London, commentators have pointed out that the 2012 Olympics was a fortunate one for London in that the investment will have a Keynesian impact; moreover, as the commitment is non-negotiable it will mean that it will happen (other priorities would otherwise have been sure to derail such investments). However, as positive, in theory, that these arguments are they are a little light on detail, and fudge the temporal and spatial disruptions that will inevitably flow from them. The underlying assumption of creative destruction is a little contradictory, a bit like Kuhn's normal science, it assumes a 'business as usual' outcome, one product replaced by another. What if the outcome is more radical, or if the processes are changing altogether; this is the focus of the third scenario.

### 4.Creative production

#### **Creative inds now leading role, not marginal**

Culturalisation of the economy (in the sense of add in; not simply the perspective fo analysis

#### **Not candy floss but vital component: indeed the buy/no decision**

Deal makers

The third scenario is that we have misjudged the CCI. Not only have we failed to note their rise and growth, but we have failed to understand them and their changing relationship to economy and society. To be sure a number of years ago the cultural economy was small, and relatively insignificant. However, as we noted above, this is no longer the case. It is the case that growth has come from the increasing relative and absolute monies that people have spent on cultural activities; but, this has also generated important transformations. Back in the early 1990's researchers were beginning to pick this up; they termed it the culturalisation of the economy (often discussed as happening hand in hand with the economisation of culture) (Lash and Urry, 1993, Scott, 2000). On reflection it is the process of culturalisation that is critical, here I am not talking about a

methodological shift that has occurred in geography and the social sciences more generally about the cultural dimensions of economic action (see Amin and Thrift, 2004), rather the ways in which economic transactions include, or depend upon, the cultural dimension of their activities to not only 'add value'; but to encourage consumers to make the 'buy/not buy' decision. So, 'culture' is not simply an added extra, or candy floss, it is the main action, and as such cannot be removed from the product easily. Moreover, throughout the last 50 years we have seen the commodification and materialisation of cultural consumption, we might say along the lines that Gershuny (Gershuny and Miles, 1983) pointed out in his prescient account of the self-service economy, whereby we require more manufactured goods to self-consume services and, I would add, cultural goods. So, the cultural economy is the manufacturing economy. Cultural production is driving the development of manufacturing<sup>4</sup>, or the whole economy. Thus, the debate about cultural consumption, which has reached its apotheosis in Richard Florida's work, is profoundly misplaced (see Pratt, 2008). If this scenario is true, then we should not expect the bottom to fall out of the CCI in the next few months.

## 5. Conclusion

The aim of this paper has been to consider some of the profound changes that are being made visible in the current recession. One of these, the one that I have focused upon, is the relative and absolute, rise of the CCI. However, I have also pointed out that we may have underestimate, or misconstrued, the potential and actual contribution of the CCI to the economy. I have pointed out that in material terms they do make a difference. But, due to their changed relationship with the economy, we may expect different outcomes than expected. For example, I have argued that they may not be the first casualty, but, perhaps ironically, they may do well; not simply due to counter cyclical investment, but to the positive role that play in economic activity. This might be an empirical signal that may reinforce the theoretical debates that have been developed in that last decade concerning the re-conceptualisation of the CCI, and by extension the whole economy. So, the task ahead may not be simply re-building the economy, but also our understanding of the economy. In this sense, geographers and sociologists<sup>5</sup> are well placed to make a positive contribution.

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<sup>4</sup> Of course, the burden of Gershuny's work, as with Walker's (Walker, R.A. (1985) *Is There a Service Economy - the Changing Capitalist Division of Labor. Science & Society* 49, 42-83.), is that such divisions are not at all helpful.

<sup>5</sup> See Callon, M. (ed.) (1998) *The laws of the markets*. Blackwell Publishers/Sociological Review, Oxford ; Malden, MA, Thrift, N.J. (2005) *Knowing capitalism*. Sage Publications, London, UK ; Thousand Oaks, CA, Knorr-Cetina, K. and A. Preda (2006) *The sociology of financial markets*. Oxford University Press, Oxford ; New York, MacKenzie, D.A., F. Muniesa and L. Siu (2007) *Do economists make markets? : on the performativity of economics*. Princeton University Press, Princeton, N.J.

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